

# House Study Bill 574 - Introduced

HOUSE FILE \_\_\_\_\_

BY (PROPOSED COMMITTEE ON  
STATE GOVERNMENT BILL BY  
CHAIRPERSON VANDER LINDEN)

## A BILL FOR

1 An Act concerning alcoholic beverage control, including  
2 micro-distillery production and sales and dramshop liability  
3 insurance requirements, requiring a comprehensive study on  
4 alcoholic beverage control, and establishing fees.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 123.3, subsection 29, Code 2016, is  
2 amended to read as follows:

3 29. "*Micro-distillery*" means a business with an operational  
4 still which, combining all production facilities of the  
5 business, produces and manufactures less than fifty one hundred  
6 thousand proof gallons of distilled spirits on an annual basis.

7 Sec. 2. Section 123.28, Code 2016, is amended to read as  
8 follows:

9 **123.28 Restrictions on transportation.**

10 It is lawful to transport, carry, or convey alcoholic  
11 liquors from the place of purchase by the division to a state  
12 warehouse or depot established by the division or from one such  
13 place to another and, when so permitted by [this chapter](#), it  
14 is lawful for the division, a common carrier, or other person  
15 to transport, carry, or convey alcoholic liquor sold from a  
16 state warehouse, depot, or point of purchase by the state to  
17 any place to which the liquor may be lawfully delivered under  
18 this chapter. The division shall deliver alcoholic liquor  
19 purchased by class "E" liquor control licensees. Class "E"  
20 liquor control licensees may deliver alcoholic liquor purchased  
21 by class "A", "B", or "C" liquor control licensees and class  
22 "C" micro-distilled spirits permittees, and class "A", "B",  
23 or "C" liquor control licensees and class "C" micro-distilled  
24 spirits permittees may transport alcoholic liquor purchased  
25 from class "E" liquor control licensees. A common carrier or  
26 other person shall not break or open or allow to be broken or  
27 opened a container or package containing alcoholic liquor or  
28 use or drink or allow to be used or drunk any alcoholic liquor  
29 while it is being transported or conveyed, but [this section](#)  
30 does not prohibit a private person from transporting individual  
31 bottles or containers of alcoholic liquor exempted pursuant to  
32 section 123.22 and individual bottles or containers bearing  
33 the identifying mark prescribed in [section 123.26](#) which have  
34 been opened previous to the commencement of the transportation.  
35 This section does not affect the right of a special permit

1 or liquor control license holder to purchase, possess, or  
2 transport alcoholic liquors subject to [this chapter](#).

3 Sec. 3. Section 123.32, subsection 1, Code 2016, is amended  
4 to read as follows:

5 1. *Filing of application.* An application for a class "A",  
6 class "B", class "C", or class "E" liquor control license, for  
7 a class "A" micro-distilled spirits permit, for a class "C"  
8 micro-distilled spirits permit, for a retail beer permit as  
9 provided in [sections 123.128](#) and [123.129](#), or for a class "B",  
10 class "B" native, or class "C" native retail wine permit as  
11 provided in [section 123.178](#), [123.178A](#), or [123.178B](#), accompanied  
12 by the necessary fee and bond, if required, shall be filed with  
13 the appropriate city council if the premises for which the  
14 license or permit is sought are located within the corporate  
15 limits of a city, or with the board of supervisors if the  
16 premises for which the license or permit is sought are located  
17 outside the corporate limits of a city. An application for  
18 a class "D" liquor control license and for a class "A" beer  
19 or class "A" wine permit, accompanied by the necessary fee  
20 and bond, if required, shall be submitted to the division  
21 electronically, or in a manner prescribed by the administrator,  
22 which shall proceed in the same manner as in the case of an  
23 application approved by local authorities.

24 Sec. 4. Section 123.33, Code 2016, is amended to read as  
25 follows:

26 **123.33 Records.**

27 Every holder of a liquor control license or a class "C"  
28 micro-distilled spirits permit shall keep a daily record, in  
29 printed or electronic format, of the gross receipts of the  
30 holder's business. The records required and the premises of  
31 the licensee or permittee shall be accessible and open to  
32 inspection pursuant to [section 123.30, subsection 1](#), during  
33 normal business hours of the licensee or permittee.

34 Sec. 5. Section 123.43A, subsection 2, Code 2016, is amended  
35 to read as follows:

1     2. ~~A micro-distillery shall not sell more than one and~~  
2 ~~one-half liters per person per day, of micro-distilled spirits~~  
3 ~~on the premises of the micro-distillery. In addition, a A~~  
4 micro-distillery shall not directly ship micro-distilled  
5 spirits for sale at retail. ~~The micro-distillery shall~~  
6 ~~maintain records of individual purchases of micro-distilled~~  
7 ~~spirits at the micro-distillery for three years.~~

8     Sec. 6. Section 123.43A, Code 2016, is amended by adding the  
9 following new subsection:

10     NEW SUBSECTION. 4A. Notwithstanding any other provision of  
11 this chapter, a person engaged in the business of manufacturing  
12 micro-distilled spirits may sell micro-distilled spirits  
13 it manufactures at retail for consumption on the premises  
14 of the manufacturing facility by applying for a class "C"  
15 micro-distilled spirits permit with the authority as provided  
16 in section 123.43B. A manufacturer of micro-distilled spirits  
17 may be granted not more than three class "C" micro-distilled  
18 spirits permits.

19     Sec. 7. Section 123.43A, subsection 6, Code 2016, is amended  
20 to read as follows:

21     6. The division shall issue no more than three class  
22 "A" micro-distilled spirits permits under this section to a  
23 person. In addition, a micro-distillery issued a permit under  
24 this section shall file with the division, on or before the  
25 fifteenth day of each calendar month, all documents filed by  
26 the micro-distillery with the alcohol and tobacco tax and  
27 trade bureau of the United States department of the treasury,  
28 including all production, storage, and processing reports.

29     Sec. 8. Section 123.43A, subsection 7, Code 2016, is amended  
30 by striking the subsection and inserting in lieu thereof the  
31 following:

32     7. A micro-distillery may sell the micro-distilled spirits  
33 it manufactures to customers outside the state.

34     Sec. 9. NEW SECTION. 123.43B Authority under class "C"  
35 micro-distilled spirits permit.

1     1. A person holding a class "C" micro-distilled spirits  
2 permit for the same location for which the person holds a  
3 class "A" micro-distilled spirits permit may sell the person's  
4 micro-distilled spirits only at retail to patrons by the  
5 individual drink for consumption on the licensed premises where  
6 the spirits were manufactured.

7     2. A person holding a class "C" micro-distilled spirits  
8 permit shall purchase micro-distilled spirits the person  
9 manufactures from a class "E" liquor control licensee only.

10    3. A class "C" micro-distilled spirits permit for a  
11 micro-distillery shall be issued and renewed annually upon  
12 payment of a fee of two hundred fifty dollars.

13    4. A person holding a class "C" micro-distilled spirits  
14 permit may also sell and dispense micro-distilled spirits and  
15 native wine the person manufactures to patrons on Sunday for  
16 consumption on the premises between the hours of 8:00 a.m. on  
17 Sunday and 2:00 a.m. on the following Monday.

18    5. Unless otherwise provided by this chapter, the  
19 provisions of this chapter applicable to liquor control  
20 licenses shall also apply to class "C" micro-distilled spirits  
21 permits.

22    Sec. 10. NEW SECTION. 123.43C Class "C" micro-distilled  
23 spirits permit — application.

24    1. Except as otherwise provided in this chapter, a class "C"  
25 micro-distilled spirits permit shall be issued to a person who  
26 complies with all of the following:

27    a. Submits electronically, or in a manner prescribed by the  
28 administrator, an application for the permit and states on the  
29 application under oath:

30       (1) The name and place of residence of the applicant and  
31 the length of time the applicant has lived at the place of  
32 residence.

33       (2) That the applicant is a citizen of the state of Iowa,  
34 or if a corporation, that the applicant is authorized to do  
35 business in Iowa.

1 (3) The location of the class "A" micro-distillery where the  
2 applicant intends to use the permit.

3 (4) The name of the owner of the premises, and if that owner  
4 is not the applicant, that the applicant is the actual lessee  
5 of the premises.

6 b. Establishes all of the following:

7 (1) That the applicant meets the test of good moral  
8 character as provided in section 123.3, subsection 34.

9 (2) That the premises for which the permit is sought is and  
10 will continue to be equipped with sufficient tables and seats  
11 to accommodate twenty-five persons at one time, and in areas  
12 where such business is permitted by any valid zoning ordinance  
13 or will be so permitted on the effective date of the permit.

14 (3) That the premises where the applicant intends to operate  
15 conform to all applicable laws and health and fire regulations.

16 (4) That the applicant is not engaged in the business of  
17 manufacturing beer.

18 c. Consents to inspection as required in section 123.30,  
19 subsection 1.

20 2. A manufacturer of micro-distilled spirits may be granted  
21 a class "C" micro-distilled spirits permit regardless of  
22 whether that manufacturer is also a manufacturer of native wine  
23 pursuant to a class "A" wine permit.

24 Sec. 11. Section 123.56, subsection 5, Code 2016, is amended  
25 to read as follows:

26 5. Notwithstanding any other provision of [this chapter](#), a  
27 person engaged in the business of manufacturing native wine may  
28 sell native wine at retail for consumption on the premises of  
29 the manufacturing facility by applying for a class "C" native  
30 wine permit as provided in [section 123.178B](#). A manufacturer of  
31 native wine may be granted not more than one class "C" native  
32 wine permit. A manufacturer of native wine may be granted  
33 a class "C" native wine permit regardless of whether that  
34 manufacturer is also a manufacturer of micro-distilled spirits  
35 pursuant to a class "A" micro-distilled spirits permit.

1     Sec. 12. Section 123.92, subsection 2, paragraph a, Code  
2 2016, is amended to read as follows:

3     a. Every liquor control licensee, and class "B" beer  
4 permittee, class "C" native wine permittee, and class  
5 "C" micro-distilled spirits permittee, except a class "E"  
6 liquor control licensee, shall furnish proof of financial  
7 responsibility by the existence of a liability insurance  
8 policy in an amount determined by the division. If an insurer  
9 provides dramshop liability insurance at a new location to  
10 a licensee or permittee who has a positive loss experience  
11 at other locations for which such insurance is provided by  
12 the insurer, and the insurer bases premium rates at the new  
13 location on the negative loss history of the previous licensee  
14 or permittee at that location, the insurer shall examine and  
15 consider adjusting the premium for the new location not less  
16 than thirty months after the insurance is issued, based on the  
17 loss experience of the licensee or permittee at that location  
18 during that thirty-month period of time.

19     Sec. 13. ALCOHOLIC BEVERAGE CONTROL — COMPREHENSIVE STUDY.

20     1. The alcoholic beverages division of the department of  
21 commerce, in collaboration with the office of the attorney  
22 general and interested stakeholders, shall conduct a  
23 comprehensive study concerning alcoholic beverage control,  
24 to include consideration of the manner of properly balancing  
25 appropriate regulation of the manufacturing, distribution, and  
26 sale of alcohol, wine, and beer in this state with emerging  
27 trends in the industry.

28     2. In conducting the study, the division shall consider,  
29 among any other relevant issues the division identifies  
30 for study, issues relating to the three-tiered system as it  
31 impacts the ability of manufacturers and retailers to meet  
32 changing marketplace conditions and business opportunities,  
33 the marketing of beer, wine, and alcohol manufactured in this  
34 state, and the manner of licensing and regulating liquor  
35 licensees and wine and beer permittees in this state.

3. The division shall submit an interim report on the study, including any findings and recommendations, to the general assembly by January 27, 2017. The division shall submit a final report on the results of the study, including any findings and recommendations, to the general assembly by January 5, 2018.

EXPLANATION

8           The inclusion of this explanation does not constitute agreement with  
9           the explanation's substance by the members of the general assembly.

10       This bill concerns micro-distilleries and the authority of  
11 micro-distilleries and micro-distilled spirits manufacturers  
12 and makes dramshop liability insurance requirements applicable  
13 to certain native wine and micro-distilled spirits permittees.

14 Code section 123.3(29), concerning the definition of a  
15 micro-distillery, is amended to provide that a micro-distillery  
16 is a business that produces less than 100,000 proof gallons of  
17 distilled spirits instead of the current limit of 50,000.

18 Code section 123.43A, providing for a class "A"  
19 micro-distilled spirits permit, is amended. The bill  
20 eliminates the current one and one-half liters per day limit  
21 on sales of micro-distilled spirits on the premises. The  
22 bill also allows the micro-distillery to sell the spirits it  
23 manufactures to customers outside the state. The bill also  
24 allows the micro-distillery to sell the spirits it manufactures  
25 for consumption on the premises of the manufacturing facility  
26 by applying for a new class "C" micro-distilled spirits permit.  
27 The bill limits a manufacturer to no more than three of the new  
28 permits.

29 Code provisions governing restrictions on transportation  
30 (Code section 123.28), applications to local authorities for  
31 certain permits (Code section 123.32), and records (Code  
32 section 123.33), are made applicable to the new class "C"  
33 micro-distilled spirits permit.

34 New Code section 123.43B establishes the authority for a  
35 class "C" micro-distilled spirits permit. The Code section



1 provides that the permit shall allow the manufacturer to sell  
2 its micro-distilled spirits only at retail to patrons by the  
3 individual drink for consumption on the licensed premises where  
4 it was manufactured, and that the person holding the permit  
5 shall purchase micro-distilled spirits it manufactures from a  
6 class "E" liquor control licensee only. The new Code section  
7 also allows a person holding a class "C" micro-distilled  
8 spirits permit and the new class "A" micro-distilled spirits  
9 permit to sell and dispense micro-distilled spirits and native  
10 wine the person manufactures on Sunday. The annual fee for the  
11 permit shall be \$250.

12 New Code section 123.43C provides the information necessary  
13 for a person to apply for a class "C" micro-distilled  
14 spirits permit. The bill requires the applicant to submit  
15 information regarding the applicant and the location of the  
16 micro-distillery. The application shall also provide that the  
17 applicant is of good moral character and that the premises for  
18 which the permit is sought is authorized to sell spirits for  
19 consumption on the premises by applicable zoning ordinance and  
20 is of sufficient size. The bill provides that the applicant  
21 may be a manufacturer of native wine but shall not also  
22 manufacture beer.

23 Code section 123.56, concerning native wines, is amended to  
24 allow a manufacturer of native wine to be granted a class "C"  
25 native wine permit regardless of whether the manufacturer also  
26 manufactures micro-distilled spirits.

27 Code section 123.92, concerning the dramshop Act, is amended  
28 to provide that a class "C" native wine permittee and a class  
29 "C" micro-distilled spirits permittee shall furnish proof  
30 of financial responsibility by having a liability insurance  
31 policy.

32 The bill requires the alcoholic beverages division of the  
33 department of commerce, in collaboration with the attorney  
34 general and interested stakeholders, to conduct a comprehensive  
35 study concerning alcoholic beverage control, and to submit to

H.F. \_\_\_\_\_

1 the general assembly an interim report on the study by January  
2 27, 2017, and a final report by January 5, 2018.